

## NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)

### PROJECT FACT SHEET

July 1, 2011 – June 30, 2012

#### INTRODUCTION

The Neighborhood Assistance Program (NAP) was created by the 1981 General Assembly to encourage private sector involvement in the alleviation of poverty in Virginia. The ACT (Neighborhood Assistance Act Tax Credit, Sections 58.1-439.18 through 58.1-439.24 of the Code of Virginia) supports locally designed and locally implemented private sector solutions to social needs generally resolved only with public sector intervention.

Eligible nonprofit organizations are awarded allocations on a basis of proven operational success and their capacity to serve impoverished people. Each organization is approved for a 12-month period (July 1 - June 30) and must re-apply each year to participate. Annual NAP applications must be received by the Virginia Department of Social Services on or before the first business day of May each year.

#### NAP CERTIFICATE OF APPROVAL

The NAP Certificate of Approval authorizes the approved nonprofit organization to participate in the program. This certificate may be used as confirmation for prospective donors.

#### DONATIONS ELIGIBLE FOR TAX CREDITS

All donations must be made directly to the approved NAP organization with no restrictions and without any expectation of monetary or other benefits. A third party donation, such as a designation through another non-profit organization (ie: United Way, JustGive, etc.) is **not** eligible for NAP tax credits.

**Individual Donors:** During an approved NAP program period, indicated on the Certificate of Approval, individuals may be eligible for a state tax credit equal to 40 percent of the donation's value. The minimum donation by an individual or a married couple must be at least \$500, for a \$200 tax credit. A maximum of \$50,000 in tax credits per taxable year may be imposed on an individual or a married couple if all available credits are allocated.

- ***Please note:*** only donations of cash or marketable securities are eligible for individual NAP tax credits. Individuals cannot receive tax credits for donations of goods, real estate, services, etc.
- The NAP organization's tax credit balance must be adequate to cover the value of the donation.
- For tax purposes, individuals use a calendar year. Therefore, the minimum \$500 donation amount must be met between July 1 and December 31 or between January 1 and June 30 to qualify for a NAP tax credit.

**Trust Donors:** During an approved NAP program period, indicated on the Certificate of Approval, a Trust may be eligible for a state tax credit equal to 40 percent of the donation's value. **if:**

- The donation value is **at least \$1,000** and the donor's total donation(s) to approved NAP organizations during the approval period **does not exceed \$437,500**, for a maximum tax credit of \$175,000; and
- The NAP organization's tax credit balance is adequate to cover the value of the donation.

All Trust donations must follow the business guidelines.

**Business Donors:** During an approved NAP program period, indicated on the Certificate of Approval, donations from a business to a NAP organization may be eligible for a state tax credit equal to 40 percent of the donation's value **if:**

- The donating entity is a business as described in the *Code of Virginia*, the donor is a licensed physician, pharmacist, dentist, chiropractor, physician assistant, nurse practitioner, optometrist, dental hygienist, nurse, professional counselor, clinical social worker, clinical psychologist, marriage and family therapist, or physical therapist providing free health care services to a clinic or to a patient/client referred by an approved organization with a health care clinic, or a licensed pharmacist providing services to patients of a 501(c)(3) nonprofit clinic at the direction of an approved organization;
- The donation value is **at least \$1,000** and the donor's total donation(s) to approved NAP organizations during the approval period **does not exceed \$437,500**, for a maximum tax credit of \$175,000; and
- The NAP organization's tax credit balance is adequate to cover the value of the donation.

**Value of Business Donations:** The value for donations of checks, stock, merchandise (including motor vehicles and inventory items), and real estate **to be used by the approved NAP organization** is determined using IRS standards. The amount listed should normally be the same as used for federal tax purposes. (See IRS Publication 561 for additional information on determining value of donations).

**Exceptions to IRS standards:** The value of merchandise (excluding motor vehicles) donated to be **sold, auctioned, or raffled** by the approved NAP organization is the **lesser** of the actual book cost of the item **or the proceeds** received by the organization. (The value of a motor vehicle is determined using IRS standards).

**For Rent/Lease of Facility:** The value assigned for donated rent or lease of property cannot exceed the prevailing square footage rental charge for comparable property and must be agreed to by the donor and the NAP organization prior to the lease being signed. The NAP organization is responsible for obtaining documentation verifying reasonable costs for comparable property.

## **APPLICATION FOR TAX CREDITS**

In order for the donor to receive a NAP tax credit, the Tax Credit Certificate and Schedule CR must be attached to the state tax return. If the donation was made by a pass-through business entity (Partnership, Sub S Corp, LLC, etc.), the business donor must complete Form PTE upon receipt of the Tax Credit Certificate and mail the completed form and a copy of the certificate directly to the Virginia Department of Taxation. A Form PTE will be sent to the donor along with their NAP Tax Credit Certificate.

**The application for the Tax Credit Certificate is initiated through your organization by:**

- **Providing a Donor Packet consisting of:**
  - Donor Fact Sheet for an Individual or a Business
  - A Contribution Notification Form (CNF) indicating the appropriate approval period.  
**Please note there are five different CNFs:**
    - \* **CNF-A** accommodates business donations for cash, stock, merchandise, real estate, or rent/lease of facility;
    - \* **CNF-B** is to be used for physicians, pharmacists, dentists, chiropractors, physician assistants, nurse practitioners, optometrists, dental hygienists, nurses, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, or physical therapists who provide services, free of charge, **to a clinic or to a patient referred by an organization with a health care clinic;**
    - \* **CNF-C** is to be used for donations of professional services;
    - \* **CNF-D** is to be used for donations of contracting services; and
    - \* **CNF-E** must be used for donations of cash or marketable securities from individuals.
    - \* **CNF-H** is to be used for pharmacists who provide services, free of charge, **to a 501© nonprofit clinic at the direction of an approved organization;**
  - If appropriate, copies of the Certification of Donation Value form, Certification of Proceeds Received form, Services Contribution Data Sheets for Medical Professionals, or Professional and Contracting Services.
- **Completing the CNF once it is returned from the donor:**
  - Review the form to ensure **the donor has completed all parts**. Confirm that the actual donation dates are within the program approval dates and that all information is accurate and readable.
  - Confirm that all appropriate documentation has been included. **Attach a copy of all supporting documentation to the CNF.** The Contribution Notification Form (CNF) Reference Sheet lists the required documentation for each type of donation.
  - Complete, sign, and date the bottom portion of the CNF. Retain a copy of the CNF

and all supporting documentation in your files.

- **Mail the original CNF with supporting documentation** to the following address:

Neighborhood Assistance Program  
Office of Community Services  
Virginia Department of Social Services  
801 East Main Street, 15<sup>th</sup> Floor  
Richmond, VA 23219

**Faxed copies of CNF forms will not be processed! We must have the CNF form with original signatures** of both the donor and NAP organization. It usually takes four to six weeks for the Office of Community Services to issue the Tax Credit Certificate, which will be sent directly to the **donor**.

### **ADDITIONAL INFORMATION**

- **A record of tax certificates issued against each NAP organization's tax credit balance will be provided in Quarterly Reports (QRs)**, which are mailed the month after each quarter. The QR includes a list of all donors that have received Tax Credit Certificates, the amount of each tax credit, the date of receipt by VDSS, the Tax Credit Certificate number, and the organization's tax credit balance as of the end of that reporting period.
- **Questions about Tax Credit Certificates or NAP Information should be directed to the Office of Community Services (OCS) by the NAP organization only.** Please advise your donors that questions about the issuance of Tax Credit Certificates must be directed to NAP organization staff, **not to OCS**. This will ensure a speedy and accurate answer to any questions and will protect your relationship with the donors. If you have questions, including those from donors, please call us at (804) 726-7924 or (804) 726-7916.
- **In the event there is an error on the Tax Credit Certificate or if a Certificate is lost,** please advise your donors that they must submit a written request to the Virginia Department of Social Services, Office of Community Services (OCS) to request a reissue of the tax certificate. The request must include:
  - 1) Name and address of donor;
  - 2) Date of donation and NAP organization receiving the donation;
  - 3) Value of the donation;
  - 4) Explanation of why reissue is being requested;
  - 5) Explanation of any necessary correction; and
  - 6) If an error is discovered, the original Tax Credit Certificate should be returned. Reissues may take up to two weeks to process.
- **Tax Credit Releases** are encouraged in the event your organization will not utilize all of the tax credits allotted for the program period. This will enable OCS to redirect the unused tax credits to other NAP organizations and ensure effective utilization of the limited amount available in the full program. If your organization has unused tax credits to release, send a memo indicating the amount to be released, the organization name, program year, and NAP project ID number. The authorized signature listed on the NAP application must be on the release memo or listed in the

email address if sent electronically.

- **Tax Credit Increases** may be awarded based on availability of unassigned credits. In order to be considered for an increased allocation, your organization must have utilized at least 75% of your current allocation. To request an increase, an email or written request (memo) must be sent to OCS stating the amount of tax credit increase desired, the reason for increase, your NAP project ID number, and the fiscal year for which the increase is sought. The authorized signature listed on the NAP application must be on the increase request or listed in the email address if sent electronically.

**Organizations may not exceed the tax credit limit listed on the certificate of approval without a letter of increase from the Virginia Department of Social Services, Office of Community Services.** Accepting donations for tax credits beyond those available to your organization exceeds your legal authority and will result in a return of the CNF.